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Israel: U.S. Foreign Assistance

SUMMARY

Israel is not economically self-sufficient, and relies on foreign assistance and borrowing to maintain its economy. Since 1985, the United States has provided $3 billion in grants annually to Israel. Since 1976, Israel has been the largest annual recipient of U.S. foreign assistance, and is the largest cumulative recipient since World War II. In addition to U.S. assistance, it is estimated that Israel receives about $1 billion annually through philanthropy, an equal amount through short- and long- term commercial loans, and around $1 billion in Israel Bonds proceeds.

Israeli Prime Minister Netanyahu told a joint session of Congress on July 10, 1996, that Israel would reduce its need for U.S. aid over the next four years. In January 1998, Finance Minister Neeman proposed eliminating the $1.2 billion economic aid and increasing the $1.8 billion in military aid by $60 million per year during a 10-year period beginning in the year 2000. The FY1999 through 2005 appropriations bills included cuts of $120 million in economic aid and an increase of $60 million in military aid for each year.

U.S. aid to Israel has some unique aspects, such as loans with repayment waived, or a pledge to provide Israel with economic assistance equal to the amount Israel owes the United States for previous loans. Israel also receives special benefits that may not be available to other countries, such as the use of U.S. military assistance for research and development in the United States, the use of U.S. military assistance for military purchases in Israel, or receiving all its assistance in the first 30 days of the fiscal year rather than in 3 or 4 installments as other countries do.

In addition to the foreign assistance, the United States has provided Israel with $625 million to develop and deploy the Arrow anti-missile missile (an ongoing project), $1.3 billion to develop the Lavi aircraft (cancelled), $200 million to develop the Merkava tank (operative), $130 million to develop the high energy laser anti-missile system (ongoing), and other military projects. In FY2000 the United States provided Israel an additional $1.2 billion to fund the Wye agreement, and in FY2002 the United States provided an additional $200 million in anti-terror assistance.

For FY2005, the United States provided $360 million in economic, $2.22 billion in military, and $50 million in migration resettlement assistance.

[For more information, see CRS Issue Brief IB82008, *Israel-United States Relations*.]

Most Recent Developments

Haaretz reported on April 20, 2005, that Israeli and U.S. officials were discussing a $3 billion loan guarantee to help Israel develop the Negev and Galilee regions. Other Israeli sources reported in late March that Israel would request $700 million in additional grant aid to pay for redeploying troops, building new military bases, and evacuating the settlers from Gaza. The total cost of the Gaza disengagement was estimated to be $1.6 billion.

The President's budget request for FY2006 included $240 million in Economic Support Funds (ESF), $2.28 billion in Foreign Military Financing (FMF), and $40 million in refugee assistance for Israel.

Background and Analysis

Since 1976, Israel has been the largest annual recipient of U.S. aid and is the largest recipient of cumulative U.S. assistance since World War II.[1] From 1949 through 1965, U.S. aid to Israel averaged about $63 million per year, over 95% of which was economic development assistance and food aid. A modest military loan program began in 1959. From 1966 through 1970, average aid per year increased to about $102 million, but military loans increased to about 47% of the total. From 1971 to the present, U.S. aid to Israel has averaged over $2 billion per year, two-thirds of which has been military assistance. Congress first designated a specific amount of aid for Israel (an "earmark") in 1971. Also in 1971, economic assistance changed from specific programs, such as agricultural development, to the Commodity Import Program (CIP) for purchase of U.S. goods. CIP ended in 1979, replaced by largely unconditional direct transfers for budgetary support. The 1974 emergency aid for Israel, following the 1973 war, included the first military grant aid. Economic aid became all grant cash transfer in 1981. Military aid became all grant in 1985.

Beginning in the mid-1970s, Israel could no longer meet its balance of payments and government deficits with imported capital (gifts from overseas Jews, West German reparations, U.S. aid) and began to rely more on borrowed capital. Growing debt servicing costs, mounting government social services expenditures, perennial high defense spending levels, and a stagnant domestic economy combined with worldwide inflation and declining foreign markets for Israeli goods pushed the Israeli economy into a near crisis situation. The "unity" government of 1984, cut government subsidies, froze wages and prices, raised taxes, and took other measures to restore the economy. Major economic indicators improved through the next decade, but the economy began to falter again in the 1990s and remains stagnant.

[1] See U.S. Agency for International Development, Overseas Loans and Grants (popularly called the "Green Book"), published annually [http://qesdb.cdie.org/gbk/index.html].

Current U.S.-Israel Aid Issues

Wye Agreement Supplemental Aid

In late 1998, Israel requested $1.2 billion in additional U.S. aid to fund moving troops and military installations out of the occupied territories as called for in the October 23, 1998 Wye agreement. Following the Knesset (parliament) vote in December to hold new elections in May 1999, Israel put the peace process and the withdrawals on hold. In February 1999, the Administration requested $600 million in military aid for Israel for FY1999, and $300 million in military aid for each FY2000 and 2001, to implement the Wye Agreement despite the fact that Israel was not completing the called for withdrawals. The President vetoed H.R. 2606, the FY2000 foreign operations appropriations bill, in part because it did not include the Wye funding. On November 29, 1999, the President signed the consolidated appropriations bill, H.R. 3194 (P.L. 106-113), which included, in Division B, passage of H.R. 3422, the foreign operations appropriations bill. Title VI of H.R. 3422, introduced in the House on November 17, 1999, included the $1.2 billion Wye funding for Israel.

According to a State Department report presented to Congress in late October 1999, the Wye funding was intended to be used as follows (in millions of dollars):

Israel Defense Force Redeployment	
Relocate IDF Training Areas:	90
Relocate One Armored Division:	95
Relocate Brigade Training Area:	15
Subtotal:	200
Counter Terror	
Light Surveillance Aircraft:	50
Explosive Detection and Identification:	85
Armored Personnel Carriers:	40
Subtotal:	175
Strategic	
Theater Missile Defense and R & D:	100
Squadron Apache Longbow Helicopters:	360
Electronic Warfare Aircraft:	165
Enhance Readiness:	200
Subtotal:	825

Reducing U.S. Aid to Israel

On July 10, 1996, Israeli Prime Minister Binyamin Netanyahu told a joint session of the U.S. Congress: "In the next four years, we will begin the long-term process of gradually reducing the level of your generous economic assistance to Israel." Israeli Finance Minister Yaacov Neeman met with some House of Representatives Appropriations Committee members in January 1998 to negotiate a $600 million reduction in Israel's $3 billion in

annual aid by decreasing the $1.2 billion economic aid to zero over a 10-year period and by increasing Israel's $1.8 billion military aid up to $2.4 billion in the same period. The United States would continue to allow Israel to spend about 26.3% of the military aid in Israel rather than in the United States for U.S. produced military equipment Israel is an exception to the general practice that all U.S. foreign military financing is spent in the United States.

Beginning in FY1999, Congress has reduced the amount of ESF going to Israel by $120 million per year and increased the amount of FMF by $60 million per year.

Loan Guarantees

Soviet and Ethiopian Refugees. U.S. aid for Soviet and other immigrants in Israel has taken two forms: first, grants through the Department of State refugee and migration account; second, through the housing loan guarantee and Soviet immigrant loan guarantee programs. The United States began providing grants to Israel under the refugee and migration account in 1973. Congress increased the funding level up to $80 million per year in 1992, when the wave of Soviet immigrants crested. H.Rept. 105-401 of November 12, 1997, on H.R. 2159, the foreign operations appropriation bill, stated that the level would decrease to $70 million in FY1999 and to $60 million in FY2000 because the declining numbers of Soviet immigrants reduced Israel's need. The President requested $60 million for immigrant assistance for FY2003 and $50 million for FY2004.

In late 1990, the press reported that Israel would request $10 billion in loan guarantees from the United States. Under the proposal, Israel would borrow $10 billion from U.S. commercial establishments, and the United States government would guarantee the loans against default. (No U.S. government funds go directly to the borrowing nation, in this case Israel, but a subsidy is appropriated to be set aside in a Treasury account, held against a possible default. The subsidy usually is a percentage of the total loan based in part on the credit rating of the country. It was reported that the subsidy for the Israeli loan guarantee program was about 4% of the $10 billion.) Israel needed the funds to finance housing, jobs, and infrastructure for an anticipated 1 million Soviet Jewish immigrants expected to arrive in Israel between 1991 and 1995. During the April 1991 negotiations over Israel's request for emergency funds for Desert Storm damages, Israel agreed to postpone its guaranteed loan request until September 1991. In September, then President George H.W. Bush asked Congress to delay consideration of the Israeli request until January 1992, because the President feared that the loan request would jeopardize Secretary of State Baker's negotiations for a peace conference. Reluctantly, Congress agreed to delay consideration of the Israeli request.

When Congress returned in January 1992, Secretary of State Baker said the Administration would support the Israeli request only if Israel agreed to freeze all settlement activity in the occupied territories. In a series of negotiations among the Administration, Congress, and Israel, several compromises were offered: reducing the U.S. loan guarantees by an amount equal to the Israeli expenditures on settlements in the occupied territories, reducing the annual amount of the loan guarantees, or allowing Israel to complete housing projects underway in the territories but ban new projects. But none of the proposals were acceptable to all the parties. With the stalemate, it appeared that Israel's loan guarantee request was postponed until consideration of the FY1993 foreign aid legislation.

Following the June 1992 Israeli elections, in which Yitzhaq Rabin and his Labor party won control over the Israeli Knesset, relations between the United States and Israel improved probably because the Bush Administration found the new Israeli leaders more compatible than the previous government. President Bush announced in August that he would propose approving the loan guarantees. Congress attached the loan guarantee authorization to the foreign operations appropriation bill that passed on October 5, 1992 (Title VI, P.L. 102-391, signed into law on October 6, 1992). The United States approved the first $2 billion tranche in December 1992, and Israel issued the first $1 billion in bonds in March 1993.

Housing Loan Guarantees

1972	$50 million
1974	25
1975	25
1976	25
1977	25
1979	25
1980	25
1990	400
Total	$600 million

Table 1. Loan Guarantees for Israel

(millions of dollars)

Year	Authorized, Title VI P.L. 102-391	Reduction for Settlement Activity	"Offset" Reinstated for Security Interests	Net Reduction	Amount Available for Israel
1993	$2,000.0	0	0	0	$2,000.0
1994	$2,000.0	437.0	0	437.0	$1,563.0
1995	$2,000.0	311.8	95.0	216.8	$1,783.2
1996	$2,000.0	303.0	243.0	60.0	$1,940.0
1997	$2,000.0	307.0	247.0	60.0	$1,940.0
Totals	$10,000.0	1,358.8	585.0	773.8	$9,226.2

On September 30, 1993, the President notified Congress, according to Section 226(d) of the Foreign Assistance Act, that the $2 billion in loan guarantees for FY1994 would be reduced by $437 million, the amount Israel spent on Jewish settlements in the occupied territories in FY1993. On September 30, 1994, the President notified Congress that the $2 billion in loan guarantees for FY1995 would be reduced by $216.8 million, an amount equal to the amount Israel spent on Jewish settlements in the occupied territories in FY1994. The President notified Congress in September 1995, that the amount for FY1996 would be reduced by $60 million, and notified Congress in September 1996, that the amount for FY1997 also would be reduced by $60 million. The $10 billion ($2 billion each year) authorized for Israel for FY1993-FY1996, has been reduced by $774 million because of

settlement activity. Of the $9.226 billion available to Israel from FY1993 to FY1997, Israel has drawn loans worth about $6.6 billion.

Economic Recovery. The press reported that Israeli Prime Minister Sharon, during his White House meetings with President Bush in October 2002, requested an additional $8 billion in loan guarantees for FY2003 to help Israel's failing economy. The loan guarantee request accompanied a request for an additional $4 billion in military grants to help Israel prepare for war with Iraq and finance the Israeli efforts against the Palestinian uprising. The supplemental appropriations act for FY2003, P.L. 108-11, included $9 billion in loan guarantees over three years for Israel's economic recovery and $1 billion in military grants. P.L. 108-11 stated that the proceeds from the loan guarantees could be used only within Israel's pre-June 1967 borders, that the annual loan guarantees could be reduced by an amount equal to the amount Israel spends each year on settlements in the occupied territories, that Israel pays all fees and subsidies, and that the President will consider Israel's economic reforms when determining terms and conditions for the loan guarantees. On November 26, 2003, the Department of State announced that the $3 billion loan guarantees for FY2003 were reduced by $289.5 million because Israel continued to build settlements in the occupied territories and continued construction of the security fence separating the Israelis and Palestinians.

Use of U.S. Aid in the Occupied Territories

It has been executive branch policy that no U.S. assistance to Israel, whether ESF, FMF, housing loan guarantee, refugee resettlement grants, or other forms of aid, can be used by Israel in the occupied territories because the United States does not want to foster the appearance of endorsing Israel's annexation of the territories without negotiations. Israel has accepted the U.S. position. Israeli Foreign Minister David Levy stated in an October 2, 1990, letter to Secretary of State James Baker that Israel would not use the housing loan guarantees in the occupied territories. Some Israelis claim that Israel could use the U.S. aid funds in east Jerusalem, which they say is part of Israel, but U.S. Administrations maintain that Jerusalem is part of the occupied territories and that the city's final status must be negotiated.

Congress has incorporated the U.S. Administration position in law. Title VI of P.L. 102-391 (H.R. 5368, signed into law October 6, 1992), which authorized $10 billion in loan guarantees for Israel, stated that the funds may not be used in the occupied territories. P.L. 108-11, the FY2003 supplemental appropriations, included $9 billion in loan guarantees that cannot be used in the occupied territories.

Other Aspects of U.S. Aid to Israel

Israel's Debt to the U.S. Government

Of the more than $90 billion in aid the United States has provided Israel through FY2003, about $75 billion has been grants and $15 billion has been loans. In 1987, Congress added the Foreign Military Sales Debt Reform section to the foreign aid appropriations bill (P.L. 100-202), which allowed countries to refinance existing military debts carrying interest rates over 10%. At the time the bill passed in 1987, Israel owed the U.S. government about

$10 billion (having paid off the other $5 billion), $6 billion of which was military loans bearing interest rates over 10%. In 1988 and 1989, Israel refinanced about $5.5 billion in military loans by borrowing money from U.S. commercial institutions at interest rates below 10%, and paying off the U.S. government. As provided in P.L. 100-202, the U.S. government guaranteed up to 90% of the commercial loans. As of December 31, 2001, Israel owed the U.S. government $1.977 billion in direct economic and military loans, and the U.S. government has a contingent liability (guaranteed loans) for another $2.902 billion for the refinanced military loans and Ex-Im Bank loans, and an additional $9.659 billion in contingent liabilities for the loan guarantees for settling Soviet Jews in Israel.

Loans with Repayment Waived

The United States has not canceled any of Israel's debts to the U.S. government, but the U.S. government has waived repayment of aid to Israel that originally was categorized as loans. Following the 1973 war, President Nixon asked Congress for emergency aid for Israel, including loans for which repayment would be waived. Israel preferred that the aid be in the form of loans, rather than grants, to avoid having a U.S. military contingent in Israel to oversee a grant program. Since 1974, some or all of U.S. military aid to Israel has been in the form of loans for which repayment is waived. Technically, the assistance is called loans, but as a practical matter, the military aid is grant. From FY1974 through FY2003, Israel has received more than $45 billion in waived loans. (Egypt also receives some of its U.S. military assistance in the form of loans with repayment waived. In 1990, the United States canceled $6.7 billion in past military debts that Egypt owed to the United States.)

"Cranston Amendment"

The Cranston Amendment, named after its Senate sponsor, was added to the foreign aid legislation in 1984 (Section 534, P.L. 98-473) and was repeated each year in the annual aid appropriation bill through FY1998 (Section 517 of H.R. 2159, P.L. 105-118). The Cranston amendment was not repeated in the FY1999 appropriations, H.R. 4328, P.L. 105-277, and was not repeated in subsequent appropriations bills. The amendment stated that it was "the policy and the intention" of the United States to provide Israel with economic assistance "not less than" the amount Israel owed the United States in annual debt service payments (principal and interest). For 1998, Israel received $1.2 billion in ESF and owed the U.S. government about $328 million in debt service for direct loans, so it was apparent that the Cranston Amendment was no longer needed. The Cranston amendment was a statement of U.S. policy and intent and may not have been binding. Contingent liabilities — guaranteed loans, such as housing guarantees, the $10 billion for immigrant settlement, or the $9 billion for economic recovery — apparently were not included under the Cranston amendment because the debts were not owed to the U.S. government.

Allegations of Misuse of U.S. Aid

The United States stipulates that U.S. aid funds cannot be used in the occupied territories. Over the years, some have suggested that Israel may be using U.S. assistance to establish Jewish settlements in the occupied territories, but Israel denies the allegation. Because U.S. economic aid is given to Israel as direct government-to-government budgetary

support without any specific project accounting, and money is fungible, there is no way to tell how Israel uses U.S. aid.

Also, the United States stipulates that U.S. military equipment provided through the FMS program can be used only for internal security or defensive purposes, and that U.S. weapons and equipment cannot be transferred to a third country without U.S. approval. (See Sections 3 and 4 of the Arms Export Control Act, P.L. 90-629, as amended.) In 1978, 1979, and 1981, the executive branch notified Congress that Israel "may have violated" U.S.-Israeli agreements by using U.S. weapons for non-defensive purposes, and in 1982, the United States suspended shipments of so-called cluster bombs after allegations that Israel violated an agreement on the use of the bombs during the Israeli invasion of Lebanon. In the 1978, 1979, and 1981 instances, the Administrations took no further action. The cluster bomb ban remains in effect. Israel maintains that the weapons were used for defensive purposes. (See CRS Report RL30982, U.S. Defense Articles and Services Supplied to Foreign Recipients: Restrictions on Their Use.) There were reports in February 2001 and again in the summer of 2002 that the U.S. government was investigating if Israel misused U.S. military equipment, including Apache helicopters, in assassinating Palestinian leaders, and later reports that Members of Congress inquired if Israel misused Apache and Cobra helicopters and F-16 fighter-bombers in attacking Palestinian facilities.

In 1982 testimony before Congress, executive branch officials said Israel transferred U.S. arms to Iran and the Israeli-funded surrogate force known as the "South Lebanon Army" without U.S. permission, and similar charges emerged in 1992 concerning Israeli transfers of U.S. technology or equipment to China, South Africa, Chile, Ethiopia, and other countries. A U.S. Defense Department team went to Israel in late March 1992, to investigate the alleged transfer of Patriot missile technology to China, but announced on April 2 that it found no evidence of an unauthorized transfer. The State Department Inspector-General released a report on April 2, 1992, that suggested that Israel had transferred other U.S. arms technology without U.S. permission.

Arrow Anti-Missile Missile

Since 1988, the United States has provided Israel with about $1 billion in grants for research and development of the Arrow anti-missile missile (*Global Security Newswire*, March 15, 2002). Israel deployed the first battery of Arrow missiles on March 14, 2000, and is seeking funding for a second and third battery. Some people call the Arrow funds "foreign aid" although Arrow was conceived as a joint research and development project in which the United States and Israel would share technology. U.S. funding for Arrow is authorized and appropriated through the defense budget. The U.S. Army said it would not procure the Arrow for U.S. use, but one report suggested that the U.S. Senate would propose purchasing the Arrow for the United States (*Global Security Newswire*, May 7, 2002). In addition, the United States has provided $53 million for the Boost Phase Intercept program and $139 million for the Tactical High Energy Laser program under development in Israel to complement the Arrow.

On April 28, 1996, then President Clinton told a Washington audience that the United States would provide Israel with an additional $200 million for deployment of the Arrow in Israel, and funding (later estimated at $50 million) for development of a laser anti-missile weapon In late March 1998, Secretary of Defense William Cohen was quoted as saying the

United States would provide an additional $45 million for deploying a third battery of Arrow missiles. President George Bush requested $60 million for the Arrow for FY2003. The 2004 budget included a request for $136 million for the Arrow, of which $66 million is for the improvement program and $70 million is for production. The FY2006 budget includes a request for $78 million for the Arrow.

Special Benefits for Israel

Israel receives favorable treatment and special benefits under U.S. assistance programs that may not be available to other countries. Israel's supporters justify the unusual treatment accorded to Israel because of the special relationship between the United States and Israel, Israel's unique economic and political status, and Israel's special security requirements. Many of the benefits listed below were reported in a June 24, 1983 General Accounting Office (GAO) report, *U.S. Assistance to the State of Israel* (GAO/ID-83-51), or in another GAO report, *Security Assistance: Reporting of Program Contents Changes*, GAO/NSIAD-90-115 of May 1990.

- Cash flow financing: Israel is allowed to set aside FMF funds for current year payments only, rather than set aside the full amount needed to meet the full cost of multi-year purchases. GAO believes that cash flow financing creates a commitment to furnish aid in future years at a level sufficient to meet the future payments. Egypt and Turkey now use cash flow financing.

- ESF cash transfer: The United States gives all ESF funds directly to the government of Israel rather than allocating funds for specific projects. There is no accounting of how the funds are used. (Israel does send an annual letter describing Israeli payments to the United States for debt servicing.) A number of other nations receive part of their ESF as cash transfers, but not under such flexible conditions.

- FMF offsets: Israel receives offsets on FMF purchases (contractors agree to offset some of the cost by buying components or materials from Israel). Although offsets are a common practice in commercial contracts (countries dealing directly with U.S. firms), GAO said offsets on FMF sales were "unusual" because FMF is intended to sell U.S. goods and services.

- Early transfers: In 1982, Israel asked that the ESF funds be transferred in one lump sum early in the fiscal year rather than in four quarterly installments, as is the usual practice with other countries. The United States pays more in interest for the money it borrows to make lump sum payments. AID officials estimate that it cost the United States between $50 million and $60 million per year to borrow funds for the early, lump-sum payment. In addition, the U.S. government pays Israel interest on the ESF funds invested in U.S. Treasury notes, according to AID officials. It has been reported that Israel earned about $86 million in U.S. Treasury note interest in 1991.

- FMF drawdown: Israel was permitted to draw down the grant (waived) portion of its FMF credits before the loan portion, thus delaying paying

interest on the loans. Usually, loans and grants are drawn down at an equal rate.

- Unique FMF funding arrangements: Other countries primarily deal with DOD for purchases from U.S. companies for U.S. military items, but Israel deals directly with U.S. companies for 99% of its military purchases in the United States. Other countries have a $100,000 minimum purchase amount per contract, but Israel is allowed to purchase military items for less than $100,000. According to the GAO report, Israel processed over 15,000 orders for less than $50,000 in 1989, with no DOD review of the purchases as would have been the case with other countries' purchases. Other countries have the U.S. government disburse funds to companies directly, but the Israeli Purchasing Mission in New York pays the companies and is reimbursed by the U.S. Treasury.

- FMF for R&D: Israel asked for and received permission for a "one-time-only" use of $107 million in FY1977 FMF funds to be spent in Israel to develop the Merkava tank (prototype completed 1975, Merkava added to Israeli arsenal 1979). Israel asked for a similar waiver to develop the Lavi ground-attack aircraft. In November 1983, Congress added an amendment to the FY1984 Continuing Appropriation (P.L. 98-151) that allowed Israel to spend $300 million of FMF funds in the United States and $250 million of FMF in Israel to develop the Lavi. Between 1983 and 1988, Congress earmarked a total of $1.8 billion (through FY1987) for the Lavi. GAO reported in January 1987 that the United States provided $1.3 billion of $1.5 billion Lavi development costs between 1980 and 1986. On August 30, 1987, the Israeli cabinet voted to cancel the Lavi project, but asked the United States for $450 million to pay for canceled contracts. The State Department agreed to raise the FMF earmark for procurement in Israel from $300 million to $400 million to defray Lavi cancellation costs.

- FMF for in-country purchase: Israel requested that part of the FMF funds transferred to Israel be maintained at the higher level (raised to pay for Lavi contracts in 1987) for other Israeli defense purchases in Israel. Israel received $400 million of the $1.8 billion FMF for use in Israel in each FY1988 through 1990, and $475 million in each fiscal year from FY1991 through FY1998. As U.S. military aid to Israel increased according to the Israeli-U.S. arrangement (see section "Reducing U.S. Aid to Israel" above), the amount set aside for defense purchases in Israel has increased. H.R. 2800 and S. 1426, the foreign operations appropriations bills pending before Congress, would raise the FY2004 amount for use in Israel to $568 million.

- The foreign assistance appropriation bill signed on November 5, 1990, provided for Israel to receive the FMF aid in a lump sum during the first month of the fiscal year, which allows Israel to invest the funds in U.S. Treasury notes and earn interest similar to the ESF investments. The practice has continued in subsequent years.

- In a "one-time-only" benefit, the appropriation bill of November 5, 1990, provided Israel with grant military equipment, valued at $700 million, to be withdrawn from excess stocks in Western Europe.

- The $400 million housing loan guarantee provided in P.L. 101-302 of May 25, 1990, waived the $25 million per country ceiling, waived the administrative fee, and waived the provision limiting the housing to poor people. The 1993 and 2003 loan guarantees did not waive the fees.

Congressional Action

FY2003

The President requested $600 million in ESF, $60 million in refugee settlement, and $2.1 billion in FMF for Israel for FY2003.

The House of Representatives added $200 million in anti-terror funds for Israel to the FY2003 foreign operations appropriations bill to cover the funds not disbursed in the FY2002 supplemental bill. H.R. 5410 provided $600 million in ESF, $2.1 billion in FMF, and $200 million in ESF for anti-terrorism for Israel for FY2003 (H.Rept. 107-663). S. 2779 provides $600 million in ESF, and $2.1 billion in FMF for FY2003 for Israel (S.Rept. 107-219). Conference report H.Rept. 108-10 on the FY2003 appropriations bill did not adopt the House position on the $200 million in anti-terror funds. The Foreign Relations Authorization Act, signed into law on September 30, 2002 (H.R. 1646, P.L. 107-228) authorized $60 million for Israel for refugee settlement. P.L. 108-7, the omnibus appropriations law signed on February 20, 2003, included $2.1 billion in military grants, $600 million in economic grants, and $60 million in refugee assistance for Israel for FY2003.

In January 2003, the press reported that Israel requested an additional $4 billion in military grants and $8 billion in loan guarantees for FY2003. Israel said it needed the military grants to prepare for a possible war with Iraq and to cover the additional expenses of the Palestinian uprising. The loans were needed to prop up Israel's flagging economy. On March 25, 2003, the President sent to Congress a request for a supplemental appropriation that included $1 billion in Foreign Military Financing (FMF) and $9 billion in loan guarantees for Israel. One quarter of the FMF will be a cash grant to Israel and three quarters will be used for purchases in the United States. The Presidents's request attached conditions to the loan guarantees: that the funds cannot be used in the occupied territories; that the President can reduce the total of the loan guarantee by an amount equal to the amount Israel spends on settlements in the occupied territories; that Israel will pay the subsidy; and that the President will determine if Israel meets certain budgetary and economic reforms. The $1 billion in military grants and the $9 billion in loan guarantees were included in P.L. 108-11, the supplemental appropriations for FY2003.

FY2004

The President requested $2.16 billion in military grants, $480 million in economic grants, and $50 million in refugee settlement funds for Israel for FY2004.

The foreign relations authorization bills, S. 925 (reported April 24, 2003, S.Rept. 108-39) and H.R. 1950 (reported June 12, 2003, H.Rept. 108-105) include $50 million for FY2004 for settling Soviet and other migrants in Israel. H.R. 1950 also was considered by the Judiciary, Armed Services, and Energy and Commerce Committees; See Parts II, III, and IV of the House report.

S. 1426, the Foreign Operations Appropriations bill (reported July 17, 2003, S.Rept. 108-106), included $480 million in ESF, $5 million in ESF for the Yitzhak Rabin Center for Israel Studies in Tel Aviv, $5 million in ESF for the Center for Human Dignity Museum of Tolerance in Jerusalem, $2.16 billion in FMS (of which $568 million may be spent in Israel), and $50 million for settling migrants in Israel. H.R. 2800 (H.Rept. 108-222, July 21, 2003) provided $480 million in ESF and $2.16 billion in FMS, of which $568 million may be spent in Israel. H.R. 2800 passed the House on July 24, 2003, by a vote of 370-50. The two bills were incorporated in H.R. 2673, the omnibus appropriations bill, which the President signed on January 23, 2004 (P.L. 108-199). After the across-the-board reduction of .59%, Israel received $2,147,256,000 in FMF, $477,168,000 in ESF, $49,705,000 for migrant settlement, $4,970,500 for the Rabin Center, and $4,970,500 for the Museum.

FY2005

The President requested $2.22 billion in FMF, $360 million in ESF, and $50 million in refugee and migration funds for FY2005 for Israel.

H.R. 4818, the foreign operations appropriations bill, provides $360 million in ESF and $2.22 billion in FMF for Israel for FY2005, and $50 million in refugee and migration assistance. H.R. 4818 passed the House on July 15. On September 23, 2004, the Senate substituted its bill, S. 2812, which extended the time Israel may draw the FY2003 loan guarantees from FY2005 to FY2007. H.R. 4818 became the omnibus appropriations bill for FY2005, including Division D, the Foreign Operations appropriation. The House and Senate agreed to the conference report for H.R. 4818 on November 20, and the President signed the bill into law on December 8.

FY2006

The President requested $2.28 billion in military grants, $240 million in economic grants, and $40 million in refugee grants for Israel for FY2006. Also, the Department of Defense request includes $78 million for the Arrow anti-missile missile.

Recent Aid to Israel

Table 2 shows cumulative U.S. aid to Israel for FY1949 through FY1996, and U.S. aid to Israel for each fiscal year since. Detail for the years 1949 through 1996 is shown in **Table 3**.

Table 2. Recent U.S. Aid to Israel

(millions of dollars)

Year	Total	Military Grant	Economic Grant	Immig. Grant	ASHA	All Other
1949-1996	68,030.9	29,014.9	23,122.4	868.9	121.4	14,903.3
1997	3,132.1	1,800.0	1,200.0	80.0	2.1	50.0
1998	3,080.0	1,800.0	1,200.0	80.0	?	?
1999	3,010.0	1,860.0	1,080.0	70.0	?	?
2000	4,129.1	3,120.0	949.1	60.0	?	?
2001	2,876.1	1,975.6	838.2	60.0	2.3	?
2002	2,848.0	2,040.0	720.0	60.0	?	28.0
2003 est.	3,741.1	3,086.4	596.1	59.6	?	?
2004 est.	2,687.3	2,147.3	477.2	49.7	3.2	9.9
Total	93,534.6	46,844.2	30,183.0	1,388.2	129.0	14,991.2

Note: ESF was earmarked for $960 million for FY2000 but was reduced to meet the 0.38% recision. FY2000 military grants include $1.2 billion for the Wye agreement and $1.92 billion in annual military aid. Final amounts for FY2003 are reduced by 0.65% mandated recision, and final amounts for FY2004 are reduced by 0.59%.

Note: The $600 million in housing loan guarantees, $5.5 billion in military debt reduction loan guarantees,$9.2 billion in Soviet Jew resettlement loan guarantees, and $9 billion in economic recovery loan guarantees are not included in the tables because the United States government did not transfer funds to Israel. The United States underwrote loans to Israel from commercial institutions.

Notes to the following tables:
* = less than $50,000
- = None
NA = Not Available
TQ = Transition Quarter, when the U.S. fiscal year changed from June to September.
FFP = Food for Peace
Coop. Devel. Grant: There are three programs in the cooperative development category: Middle East Regional Cooperation (MERC) intended for projects that foster economic growth and economic cooperation between Israel and its neighbors; Cooperative Development Program (CDP); and the Cooperative Development Research (CDR), both of which fund Israel's foreign aid program. Israel received about one half of the $94 million MERC, and all of the $53 million CDP and $39 million CDR.
"Other Loan" is a CCC loan. "Other Grants" are $20 million in 1975 for a seawater desalting plant and $50 million in 1996 for anti-terrorism.
Definition of Aid: Under the category of foreign aid, some people include other funds transferred to Israel, such as the $180 million for research and development of the Arrow missile, or the $7.9 billion in loan guarantees for housing or settling Soviet Jews in Israel. None of these funds are included in this table.

Table 3. U.S. Assistance to Israel, FY1949 - FY1996
(millions of dollars)

Year	Total	Military Loan	Military Grant	Economic Loan	Economic Grant	FFP Loan	FFP Grant
1949	100.0	-	-	-	-	-	-
1950	-	-	-	-	-	-	-
1951	35.1	-	-	-	0.1	-	-
1952	86.4	-	-	-	63.7	-	22.7
1953	73.6	-	-	-	73.6	-	*
1954	74.7	-	-	-	54.0	-	20.7
1955	52.7	-	-	20.0	21.5	10.8	0.4
1956	50.8	-	-	10.0	14.0	25.2	1.6
1957	40.9	-	-	10.0	16.8	11.8	2.3
1958	85.4	-	-	15.0	9.0	34.9	2.3
1959	53.3	0.4	-	10.0	9.2	29.0	1.7
1960	56.2	0.5	-	15.0	8.9	26.8	4.5
1961	77.9	*	-	16.0	8.5	13.8	9.8
1962	93.4	13.2	-	45.0	0.4	18.5	6.8
1963	87.9	13.3	-	45.0	-	12.4	6.0
1964	37.0	-	-	20.0	-	12.2	4.8
1965	65.1	12.9	-	20.0	-	23.9	4.9
1966	126.8	90.0	-	10.0	-	25.9	0.9
1967	23.7	7.0	-	5.5	-	-	0.6
1968	106.5	25.0	-	-	-	51.3	0.5
1969	160.3	85.0	-	-	-	36.1	0.6
1970	93.6	30.0	-	-	-	40.7	0.4
1971	634.3	545.0	-	-	-	55.5	0.3
1972	430.9	300.0	-	-	50.0	53.8	0.4
1973	492.8	307.5	-	-	50.0	59.4	0.4
1974	2,621.3	982.7	1,500.0	-	50.0	-	1.5
1975	778.0	200.0	100.0	-	344.5	8.6	-
1976	2,337.7	750.0	750.0	225.0	475.0	14.4	*
TQ	292.5	100.0	100.0	25.0	50.0	3.6	-
1977	1,762.5	500.0	500.0	245.0	490.0	7.0	-
1978	1,822.6	500.0	500.0	260.0	525.0	6.8	-
1979	4,888.0	2,700.0	1,300.0	260.0	525.0	5.1	-
1980	2,121.0	500.0	500.0	260.0	525.0	1.0	-
1981	2,413.4	900.0	500.0	-	764.0	-	-
1982	2,250.5	850.0	550.0	-	806.0	-	-
1983	2,505.6	950.0	750.0	-	785.0	-	-
1984	2,631.6	850.0	850.0	-	910.0	-	-
1985	3,376.7	-	1,400.0	-	1,950.0	-	
1986	3,663.5	-	1,722.6	-	1,898.4	-	-
1987	3,040.2	-	1,800.0	-	1,200.0	-	-
1988	3,043.4	-	1,800.0	-	1,200.0	-	-
1989	3,045.6	-	1,800.0	-	1,200.0	-	-
1990	3,034.9	-	1,792.3	-	1,194.8	-	-
1991	3,712.3	-	1,800.0	-	1,850.0	-	-
1992	3,100.0	-	1,800.0	-	1,200.0	-	-
1993	3,103.4	-	1,800.0	-	1,200.0	-	-
1994	3,097.2	-	1,800.0	-	1,200.0	-	-
1995	3,102.4	-	1,800.0	-	1,200.0	-	-
1996	3,144.0	-	1,800.0	-	1,200.0	-	-
TOTAL	**68,030.9**	**11,212.5**	**29,014.9**	**1,516.5**	**23,122.4**	**588.5**	**94.1**

Year	Ex-Im. Bank Loan	JewishRefug. ResettleGrant	Amer. Schools & Hosp.Grant	Other Loan	Coop.Devel. Grant	Other Grant
1949	100.0	-	-	-	-	-
1950	-	-	-	-	-	-
1951	35.0	-	-	-	-	-
1952	-	-	-	-	-	-
1953	-	-	-	-	-	-
1954	-	-	-	-	-	-
1955	-	-	-	-	-	-
1956	-	-	-	-	-	-
1957	-	-	-	-	-	-
1958	24.2	-	-	-	-	-
1959	3.0	-	-	-	-	-
1960	0.5	-	-	-	-	-
1961	29.8	-	-	-	-	-
1962	9.5	-	-	-	-	-
1963	11.2	-	-	-	-	-
1964	-	-	-	-	-	-
1965	3.4	-	-	-	-	-
1966	-	-	-	-	-	-
1967	9.6	-	1.0	-	-	-
1968	23.7	-	6.0	-	-	-
1969	38.6	-	-	-	-	-
1970	10.0	-	12.5	-	-	-
1971	31.0	-	2.5	-	-	-
1972	21.1	-	5.6	-	-	-
1973	21.1	50.0	4.4	-	-	-
1974	47.3	36.5	3.3	-	-	-
1975	62.4	40.0	2.5	-	-	20.0
1976	104.7	15.0	3.6	-	-	-
TQ	12.6	-	1.3	-	-	-
1977	0.9	15.0	4.6	-	-	-
1978	5.4	20.0	5.4	-	-	-
1979	68.7	25.0	4.2	-	-	-
1980	305.9	25.0	4.1	-	-	-
1981	217.4	25.0	2.0	-	5.0	-
1982	6.5	12.5	3.0	17.5	5.0	-
1983	-	12.5	3.1	-	5.0	-
1984	-	12.5	4.1	-	5.0	-
1985	-	15.0	4.7	-	7.0	-
1986	15.0	12.0	5.5	-	10.0	-
1987	-	25.0	5.2	-	10.0	-
1988	-	25.0	4.9	-	13.5	-
1989	-	28.0	6.9	-	10.7	-
1990	-	29.9	3.5	-	14.4	-
1991	-	45.0	2.6	-	14.7	-
1992	-	80.0	3.5	-	16.5	-
1993	-	80.0	2.5	-	20.9	-
1994	-	80.0	2.7	-	14.5	-
1995	-	80.0	2.9	-	19.5	-
1996	-	80.0	3.3	-	14.0	50.0
TOTAL	**1218.5**	**868.9**	**121.4**	**17.5**	**185.7**	**70.0**